



# MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Customer & Shared Services Division

*Rely on us.*

TO: Commissioners Simpson, Brown, Cassidy, Ernst and Cunningham  
FROM: Debra Smith, Director, Customer & Shared Services Division  
DATE: February 27, 2012  
SUBJECT: Economic Development Loan Pilot Program

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## Issue

Current EWEB policy requires customers to pay 100% of projected costs for utility services prior to establishing or expanding EWEB services. This upfront financial obligation can be a high hurdle and a deterrent to economic development.

Staff is requesting Board approval to create a pilot program to explore the economic and community benefits of assisting customers finance utility service costs associated with establishing or expanding EWEB services.

## Background

During the 1980's, EWEB had a contribution in aid of construction component built into rates to assist new customers establish EWEB services. This program was phased out due to concerns of cross subsidization of rate classes.

This proposed pilot program would assist new and existing electric, water and/or telecom customers by providing financing options for EWEB service cost including equipment purchase, construction cost, engineering services and service connection fees. Under this pilot program, the burden of payment would rest with the customer requesting service and not with general ratepayers.

A loan based economic development program would promote EWEB participation in the economic development community and thereby help attract new customers to EWEB's service territory. Moreover, such a program would extend opportunities to existing customers looking to expand their business.

## Discussion

To qualify for the economic development financing program, customers would need to meet two levels of program criteria. The first level of eligibility would consist of a project review based on benefits to EWEB and its customers. A point system matrix with the following categories would be applied to determine program eligibility. Criterion, based loosely on triple bottom line analysis, would include:

1. Alignment with Regional Prosperity Initiative or Metro Partnership goals
2. Ability to participate in EWEB programs
3. Social Equity
4. Environmental Health
5. Economic Prosperity

Attached is a hypothetical example using Lane Community College's Downtown Campus.

The next step in eligibility would be a review of the applicant's credit worthiness. This step would be accomplished using EWEB's established loan program criteria where the program applicant would need to satisfactorily demonstrate the ability to meet loan payment obligations.

#### Proposed Loan Terms

Minimum	Maximum
\$50,000	\$500,000
One year	10 years

- The interest rate would be EWEB's cost of money plus one half percent (0.5%).
- Loan amount and repayment terms would be determined by project economics.
- For large development projects, where potential loans would be greater than \$500K, EWEB's Executive Management Team (EMT) would provide staff direction required with Board approval required before project funding.

Similar to the Energy Management Services (EMS) Loan Pool, repayment of the economic development program would be used to fund future projects. Also like the EMS Loan Pool, repayment of the loan obligation would return to the pool for future projects.

The program would not require any new FTE. Promotion, marketing, program management and implementation would be accomplished through the Key Accounts Team.

Staff is requesting \$2 million from reserves to fund the Economic Development Loan Pilot Program. The transfer of funds would be accomplished as part of the Board's annual reserve transfer process, scheduled for May 1, 2012.

#### **Recommendation and Requested Board Action**

Staff recommends the approval of the plan as outlined above. Funding would happen in May.

## **EWEB Economic Development Utility Services Loan Program February 2012**

*Brief description of proposal to be considered:*

*Date:*

- LCC downtown campus.

Each criterion is eligible for 20 points. 100 point maximum, 75 points required for proposal to advance to credit committee.

Prompts The prompts below are examples of issues that need to be considered as you review the project.	<b>proposal</b> (add more columns if assessing multiple options)	<b>Points</b>
<b>Alignment with Regional Prosperity Initiative or Metro Partnership goals</b> – Job creation or retention, downtown development.	Downtown location, student housing, mixed use. Construction jobs plus 25 new staff positions.	<b>18</b>
<b>Ability to participate in EWEB programs</b> – demand response, energy efficiency, water conservation, operational needs.	New location for energy management department. PV site, EV chargers. Heavy use of EWEB EMS programs.	<b>14</b>
<b>Social equity</b> - consider health & safety of everyone involved, equity & access, collaboration, education & skill development, impact on customers, community, neighborhoods, future generations. Minority owned, Women, Emerging Small Business (DMWESB) companies?	Education and skill development center. Diverse student population.	<b>18</b>
<b>Environmental health</b> – consider impact to air, water and soil/land quality as well as plant & animal habitat, climate change and need for adaptation.	LEED Gold building. Urban setting will encourage public transportation, bike and pedestrian traffic. Showcase of sustainability.	<b>16</b>
<b>Economic prosperity</b> – consider impact to EWEB budget, revenue, and contribution to margin.	Downtown economic activity. Positive revenue and contribution to margin. Long term customer.	<b>18</b>
	<b>Total</b>	<b>84</b>